

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
May 1, 2009 Through April 15, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564.5841
FACSIMILE (502) 564.2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
JEFFERSON COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period
May 1, 2009 Through April 15, 2010

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for the Jefferson County Sheriff for the period May 1, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$605,731,937 for the districts for 2009 taxes, retaining commissions of \$14,573,852 to operate the Sheriff's office. The Sheriff distributed taxes of \$588,274,484 to the districts for 2009 taxes. Taxes of \$1,489 are due to the districts from the Sheriff and refunds of \$818 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2009 TAXES.....	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jerry E. Abramson, Mayor Louisville/Jefferson County Metro Government

Honorable John E. Aubrey, Jefferson County Sheriff

Members of the Louisville/Jefferson County Metro Government Council

Independent Auditor's Report

We have audited the Jefferson County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010. This tax settlement is the responsibility of the Jefferson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Jefferson County Sheriff's taxes charged, credited, and paid for the period May 1, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jerry E. Abramson, Mayor Louisville/Jefferson County Metro Government

Honorable John E. Aubrey, Jefferson County Sheriff

Members of the Louisville/Jefferson County Metro Government Council

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

August 31, 2010

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period May 1, 2009 Through April 15, 2010

<u>Charges</u>	<u>Metro Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 112,653,510	\$ 38,713,560	\$ 331,220,243	\$ 62,961,201
Tangible Personal Property	10,224,711	3,855,689	29,830,100	15,382,438
Increases Through Exonerations	103,447	214,269	329,782	333,666
Omitted Taxes	23		122	23
Franchise Taxes	9,335,367	807,792	14,089,360	
Domestic Life Insurance	1,379			
Additional Billings	167,130	33,582	289,701	57,394
Limestone, Sand and Mineral Reserves	467		2,404	454
Bank Franchises	5,694,213			
Penalties	408,235	111,322	1,069,921	213,837
Adjusted to Sheriff's Receipt	61,324	20	25	93,446
 Gross Chargeable to Sheriff	 138,649,806	 43,736,234	 376,831,658	 79,042,459
 <u>Credits</u>				
Exonerations	1,190,022	186,383	2,072,448	391,928
Discounts	2,259,720	761,064	6,384,384	1,380,142
Delinquents:				
Real Estate	3,377,232	754,313	7,771,900	1,474,164
Tangible Personal Property	132,172	50,290	457,750	208,336
Franchise Taxes	1,375,897	157,651	2,142,424	
 Total Credits	 8,335,043	 1,909,701	 18,828,906	 3,454,570
 Taxes Collected	 \$ 130,314,763	 \$ 41,826,533	 \$ 358,002,752	 \$ 75,587,889
Less: Commissions *	5,538,377	452,949	5,370,041	3,212,485
 Taxes Due	 124,776,386	 41,373,584	 352,632,711	 72,375,404
Taxes Paid	124,172,591	41,303,192	350,847,200	71,951,501
Refunds (Prior Year)	603,949	70,392	1,784,347	424,242
 Due Districts or (Refunds Due Sheriff) as of Completion of Audit	 \$ (154)	 \$ 0	 \$ 1,164	 \$ (339)

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES
For The Period May 1, 2009 Through April 15, 2010
(Continued)

* Commissions:

4.25% on	\$ 206,969,842
1.5% on	\$ 358,002,752
1% on	\$ 40,759,343

** Special Taxing Districts:

Highview Fire District	\$ (325)
Lyndon Fire District	<u>325</u>

Due District or (Refund Due Sheriff)	<u><u>\$ 0</u></u>
---	--------------------

JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

JEFFERSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 15, 2010
 (Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 6, 2009 through April 15, 2010.

Note 4. Interest Income

The Jefferson County Sheriff earned \$67,034 as interest income on 2009 taxes. The Sheriff the interest was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Jefferson County Sheriff collected \$1,491,304 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff deposited unrefundable duplicate payments and unexplained receipts in interest-bearing accounts. The Sheriff's escrowed amounts were as follows:

2006	\$44,402
2007	\$28,131
2008	\$24,474
2009	\$793,551

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. The Sheriff sent a written report to the Treasury Department and submitted \$21,527 to the Kentucky State Treasurer in accordance with KRS 393.110.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Government Council

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Jefferson County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, and have issued our report thereon dated August 31, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisville/Jefferson County Metro Government, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 31, 2010

